

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 MIKE GLEASON, Chairman
4 WILLIAM A. MUNDELL
5 JEFF HATCH-MILLER
6 KRISTIN K. MAYES
7 GARY PIERCE

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ARIZONA CORP COMMISSION
SECURITIES CONTROL

8 In the matter of:

DOCKET NO. S-20520A-07-0155

9 LEONARD FRANCIS ALCARO (a/k/a "LENNY
10 ALCARO"), and

11 MARY BRIGID LAVIN ALCARO, husband and
12 wife,

13 1140 West San Lucas Circle,
14 Tucson, Arizona 85704,

15 Respondents.

NOTICE OF OPPORTUNITY FOR
HEARING REGARDING PROPOSED
ORDER TO CEASE AND DESIST
ORDER, FOR RESTITUTION, FOR
ADMINISTRATIVE PENALTIES AND
FOR OTHER AFFIRMATIVE ACTION

16 **NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING**

17 **EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

18 The Securities Division ("Division") of the Arizona Corporation Commission
19 ("Commission") alleges that RESPONDENTS LEONARD FRANCIS ALCARO and MARY
20 BRIGID LAVIN ALCARO have engaged in acts, practices and transactions, which constitute
21 violations of the Securities Act of Arizona, A.R.S. § 44-1801, *et seq.* ("Securities Act").

22 **I.**

23 **JURISDICTION**

24 1. The Commission has jurisdiction over this matter pursuant to Article XV of the
25 Arizona Constitution, and the Securities Act.

26 **II.**

RESPONDENTS

2. LEONARD FRANCIS ALCARO ("ALCARO") is an individual whose last known
address is 1140 West San Lucas Circle, Tucson, Arizona 85704.

3. MARY BRIGID LAVIN ALCARO was at all relevant times the spouse of ALCARO. MARY BRIGID LAVIN ALCARO is joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital community. At all times relevant, ALCARO and MARY BRIGID LAVIN ALCARO were acting for their own benefit, and for the benefit or in furtherance of the marital community.

III.

FACTS

A. INTRODUCTION

4. From on or about 1995 to at least July 2002, ALCARO offered and sold unregistered securities within and from Arizona in the form of, inter alia, investment contracts, commodity investment contracts, promissory notes and stock (sometimes collectively referred to as the, "Investments"). ALCARO offered and sold at least \$400,000 of the Investments to approximately 30 Arizona residents.

5. ALCARO met and solicited the majority of his investors by virtue of their mutual membership in a Tucson Church and related organization.

6. At or about the time ALCARO offered and sold the Investments, he held leadership positions in the Church and related organization. ALCARO used his membership with the Church and related organization to gain the trust and friendship of his investors and sell them the Investments. ALCARO sold at least one of the Investments to the Church related organization itself.

7. The majority of ALCARO's investors were retired or senior citizens who could not afford to: (a) invest in risky, unsecured or inadequately collateralized investments; or (b) lose any portion of their investment funds. One investor withdrew money invested in certificates of deposit prior to maturity and incurred early withdraw penalties to invest in an ALCARO Investment. One

1 family who invested substantial amounts of their money in ALCARO's Investments ultimately
2 needed their investment money returned to them to pay for their children's college tuition.

3 8. ALCARO represented that he was an experienced and successful investor or
4 investment counselor. ALCARO represented that he had successfully invested substantial amounts
5 of his own money in at least one of the Investments. ALCARO represented to at least one investor
6 that he had even been able to build his pool with the profits he earned from investing in at least one
7 of the Investments.

8 9. The underlying nature of the Investments varied and included, without limitation, an
9 alleged foreign currency exchange, high interest loans, offshore Trinity Court accounts, offshore
10 money market accounts, gold market investments, and coin and stock investments.

11 **B. THE FOREX SECURITIES**

12 10. At all times relevant, ALCARO offered and sold unregistered securities in the form
13 of unsecured foreign currency exchange ("forex") investments within or from Arizona. "Forex" is
14 an acronym often used to describe the global market by which one nation's currency can be traded
15 or exchanged for that of another through various investment vehicles, including futures and
16 options.

17 11. ALCARO represented that he would invest his investors' money in pooled forex
18 investments that provided substantial, guaranteed and risk-free profits ranging from 10 to 28
19 percent per year. ALCARO represented to at least one investor that the profits she would earn from
20 her forex investment would be sufficient to pay her housing and living expenses.

21 12. ALCARO represented to offerees and investors that timing was crucial with respect
22 to the forex investments, and that they had to act fast to earn the represented substantial profits.
23 Thus, ALCARO often pressured his investors to invest quickly in the forex investments at the time
24 of his offer.

1 13. Profits from ALCARO's forex investments were not guaranteed or risk-free. Forex
2 investments are inherently risky due, in part, to unforeseen global economic and currency market
3 fluctuations. Forex investments are often made pursuant to leveraged margin accounts with
4 borrowed broker money such that forex investment losses are magnified. Moreover, ALCARO's
5 forex investments were not guaranteed or risk-free because the majority of his forex investors lost
6 the majority of their forex investment money.

7 **C. THE HIGH INTEREST LOAN SECURITIES**

8 14. At all times relevant, ALCARO offered and sold unregistered securities in the form
9 of unsecured high interest loan investments within or from Arizona.

10 15. ALCARO represented that he would invest his investors' money in high interest
11 loan investments that provided investors with substantial profits of up to 100 percent or more per
12 year.

13 **D. THE OFFSHORE TRINITY COURT SECURITIES**

14 16. At all times relevant, ALCARO offered and sold unsecured offshore account
15 investments within and from Arizona that were allegedly managed by Trinity Court Management
16 ("Trinity Court") in the Guernsey (Channel) Islands.

17 17. ALCARO represented that he would invest his investors' money in the offshore
18 Trinity Court investments that provided investors with substantial and "insured" profits of up to 27
19 percent per year.

20 18. ALCARO's Trinity Court investments were not insured, in part, because his Trinity
21 Court investors lost the vast majority of their Trinity Court investment money.

22 **E. THE OFFSHORE MONEY MARKET SECURITIES**

23 19. At all times relevant, ALCARO offered and sold unregistered securities within or
24 from Arizona in the form of unsecured offshore money market account investments, one of which
25 was purportedly located in the Cayman Islands.

1 20. ALCARO represented he would invest his investors' money in the offshore money
2 market investments that provided investors with risk-free and substantial profits of up to 21 percent
3 per year.

4 21. ALCARO's offshore money market investments were not risk-free, in part, because
5 the majority of ALCARO's money market investors lost the majority of their offshore money
6 market investment money.

7 **F. THE GOLD MARKET SECURITIES**

8 22. At all times relevant, ALCARO offered and sold unregistered securities in the form
9 of unsecured gold market investments within or from Arizona.

10 23. ALCARO represented that he would invest his investors' money in the gold market
11 investments that provided investors with guaranteed, risk-free and substantial profits ranging from
12 18 to 22 percent per year.

13 24. Profits from ALCARO's gold market investments were not guaranteed or risk-free
14 because, without limitation, profits from gold market investments are subject to unforeseen global
15 economic and gold market fluctuations. Additionally, ALCARO's gold market investments were
16 not guaranteed or risk free because the majority of ALCARO's gold market investors lost the
17 majority of their gold market investment money.

18 **G. THE COIN AND STOCK SECURITIES**

19 25. At all times relevant, ALCARO offered and sold unregistered securities in the form
20 of unsecured coin and stock investments within or from Arizona.

21 26. ALCARO represented that he would invest his investors' money in the coin and
22 stock investments that provided substantial, guaranteed or risk-free profits.

23 27. Profits from ALCARO's coin and stock investments were not guaranteed or risk-
24 free because, without limitation, profits from such unsecured investments are subject to unforeseen
25 global economic and related market fluctuations. Additionally, ALCARO's coin and stock
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1 investments were not guaranteed or risk free because ALCARO's coin and stock investors lost the
2 vast majority of their coin and stock investment money.

3 **H. GENERAL ALLEGATIONS**

4 28. ALCARO often signed and issued standard form "unsecured" promissory notes to
5 his investors to document the Investments. Some of the promissory notes executed by ALCARO
6 were notarized.

7 29. In or about 2005, ALCARO voluntarily filed a Chapter 7 Bankruptcy in the United
8 States Bankruptcy Court, District of Arizona, No. 4:05-bk-02539-EWH. ALCARO identified
9 many of his investors and some of their Investments in his bankruptcy schedules.

10 30. ALCARO failed to provide his investors with any written information or
11 disclosures prior to their Investments. ALCARO failed to disclose to offerees and investors any
12 risks associated with the Investments.

13 31. Unbeknownst to his investors, ALCARO deposited investor funds into his personal
14 bank account and, in some instances, used investor funds to make payments to other investors, or
15 for his personal use.

16 32. Many of ALCARO's investors lost their entire investment. Although ALCARO
17 made payments to some of his investors, such repayments represent a small percentage of their
18 principal Investments. Some of ALCARO's repayment checks were not honored due to
19 insufficient funds.

20 33. The majority of investors asked ALCARO return their Investments in full, and to
21 explain why they did not receive their promised investment profit payments. In response,
22 ALCARO told many investors that their investments funds were lost or frozen by the government
23 due to the September 11, 2001 terrorist attacks. Also, ALCARO represented to his investors that
24 his alleged out-of-state business partner/colleague had been killed in the September 11, 2001
25 terrorist attacks.
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IV.

VIOLATION OF A.R.S. § 44-1841

(Offer or Sale of Unregistered Securities)

34. From on or about 1995 to least July 2002, ALCARO offered or sold securities in the form of investment contracts, commodity investment contracts, promissory notes and stock within or from Arizona.

35. The securities referred to above were not registered pursuant to the provisions of Articles 6 or 7 of the Securities Act.

36. This conduct violates A.R.S. § 44-1841.

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

37. From on or about 1995 to at least July 2002, ALCARO offered or sold securities within or from Arizona, while not registered as a dealer or salesmen pursuant to the provisions of Article 9 of the Securities Act.

38. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

39. In connection with the offer or sale of securities within or from Arizona, ALCARO directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made not misleading; and (iii) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon offerees and investors. ALCARO's conduct includes, but is not limited to, the following:

- A. Failing to disclose to offerees and investors that ALCARO deposited investor funds into his personal bank account and, in some instances, used investor funds to repay some money to other investors or for his personal use.
- B. Failing to disclose to offerees and investors any risks associated with the Investments, especially since ALCARO was aware that the majority of his investors were retired or senior citizens who could not afford to lose any portion of their Investments, or invest in risky or unsecured investments.
- C. Misrepresenting that offerees and investors would make substantial profits by investing in the Investments.
- D. Misrepresenting that the forex, Trinity Court, money market, gold market, coin and stock investments were risk free, guaranteed and insured, in part, for the reasons set forth in paragraphs 13, 18, 21, 24 and 27 above.

40. This conduct violates A.R.S. § 44-1991.

VII.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief against
RESPONDENT ALCARO:

1. Order RESPONDENT ALCARO to permanently cease and desist from violating the Securities Act pursuant to A.R.S. § 44-2032;
2. Order RESPONDENT ALCARO to take affirmative action to correct the conditions resulting from his acts, practices or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;

4. Order that the marital community of RESPONDENT ALCARO and RESPONDENT MARY BRIGID LAVIN ALCARO be subject to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action pursuant to A.R.S. § 25-215; and

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Executive Assistant to the Executive Director, voice phone number 602/542-3931, e-mail lhogan@azcc.gov. Requests should be made as early as possible to allow time to arrange the accommodation.

IX.

ANSWER REQUIREMENT

Pursuant to A.A.C. R14-4-305, if RESPONDENT ALCARO or RESPONDENT MARY BRIGID LAVIN ALCARO request a hearing, RESPONDENT ALCARO or RESPONDENT MARY BRIGID LAVIN ALCARO must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of this Notice of Opportunity for Hearing. A Docket Control cover sheet must accompany the Answer. A cover sheet form and instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at www.cc.state.az.us/utility/forms/index.htm.

Additionally, RESPONDENT ALCARO or RESPONDENT MARY BRIGID LAVIN ALCARO must serve the Answer upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007, addressed to MIKE DAILEY.

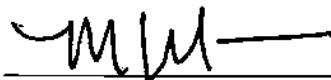
The Answer shall contain an admission or denial of each allegation in this Notice and the original signature of each RESPONDENT, or the RESPONDENTS' attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial of an allegation. An allegation not denied shall be considered admitted.

When RESPONDENT ALCARO or RESPONDENT MARY BRIGID LAVIN ALCARO intend in good faith to deny only a part or a qualification of an allegation, RESPONDENT ALCARO or RESPONDENT MARY BRIGID LAVIN ALCARO shall specify that part or qualification of the allegation and shall admit the remainder. RESPONDENT ALCARO or

1 RESPONDENT MARY BRIGID LAVIN ALCARO waives any affirmative defense not raised in
2 the answer.

3 The officer presiding over the hearing may grant relief from the requirement to file an
4 Answer for good cause shown.

5 Dated this 20 day of March, 2007.

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Matthew Neubert
Director of Securities

9 JMD